Financial Statements

Libro Credit Union Limited
December 31, 2015

Building a better working world

Management's Responsibility for Financial Reporting

The accompanying financial statements of Libro Credit Union Limited and all the information in this annual report are the responsibility of Management and have been approved by the Board of Directors.

The financial statements have been prepared by Management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial information presented in the financial statements.

Libro maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the credit union's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Risk Committee. The Audit and Risk Committee is appointed by the Board. The Committee meets periodically with Management, and the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the owners.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the owners. Ernst & Young LLP has full and free access to the Audit and Risk Committee.

Stephen Bolton	Rick Hoevenaars
President and	Executive Vice President Finance and
Chief Executive Officer	Chief Financial Officer

March 8, 2016

INDEPENDENT AUDITORS' REPORT

To the Owners of
Libro Credit Union Limited

We have audited the accompanying financial statements of Libro Credit Union Limited, which comprise the balance sheets as at December 31, 2015 and 2014, and the statements of income, comprehensive income, owners' equity and cash flows for the year ended December 31, 2015 and for the 15-month period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Libro Credit Union Limited as at December 31, 2015 and 2014, and its financial performance and its cash flows for the year ended December 31, 2015 and for the 15-month period ended December 31, 2014 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

London, Canada
March 8, 2016

Chartered Professional Accountants
Licensed Public Accountants

Balance Sheets

[thousands of dollars]	Note	December 31, 2015	December 31, 2014
Assets			
Cash and cash equivalents		**19,352**	18,403
Accrued interest receivable		**6,034**	6,352
Income taxes receivable		**420**	531
Investments	**4**	**307,856**	256,935
Other assets	**9**	**34,904**	31,539
Loans to owners	**5, 6**	**2,703,302**	2,431,833
Derivative financial instruments	**15**	**1,053**	1,144
Property and equipment	**7**	**43,428**	42,070
Intangible assets	**8**	**12,138**	12,017
Deferred tax assets	**20**	**1,571**	372
Total assets		**3,130,058**	2,801,196
Liabilities and owners' equity			
Owners' deposits	**16**	**2,821,416**	2,576,347
Accrued interest payable		**16,113**	15,740
Borrowings	**10**	**-**	5,150
Accrued and other liabilities	**24**	**6,623**	5,884
Pension and other employee obligations	**13**	**9,720**	10,398
Derivative financial instruments	**15**	**6,704**	2,688
Securitization liabilities	**10**	**4,161**	4,931
		2,864,737	2,621,138
Liabilities qualifying as regulatory capital	**12**		
Owners' capital accounts	**11**	**144,740**	68,506
Stock dividends payable	**11**	**2,351**	5,156
		147,091	73,662
Total liabilities		**3,011,828**	2,694,800
Contributed surplus		**60,998**	51,285
Retained earnings		**58,077**	57,437
Accumulated other comprehensive loss		**(845)**	(2,326)
		118,230	106,396
Total liabilities and owners' equity		**3,130,058**	2,801,196

See accompanying notes

On behalf of the Board of Directors:

Mr. R. Joyal, Chair of the Board

Mr. D. Hogan, Vice Chair of the Board

Statements of Income

[thousands of dollars]	Note	12 months ended December 31, 2015	15 months ended December 31, 2014
Interest income			
Interest on loans	**17**	**103,492**	114,699
Investment income		**2,714**	4,512
		106,206	119,211
Interest expense			
Interest on owners' deposits	**17**	**38,196**	44,604
Dividends on Class I investment shares	**11**	**1,131**	1,309
Interest on borrowings		**89**	27
		39,416	45,940
Net interest income		**66,790**	73,271
Non-interest income	**17**	**13,266**	17,984
Total revenue		**80,056**	91,255
Provision for credit losses	**6**	**2,649**	3,745
Non-interest expenses			
Salaries and employee benefits		**45,765**	45,939
General and administrative		**9,860**	11,004
Marketing and business development		**4,039**	5,364
Insurance		**2,863**	2,942
Systems and technology		**3,556**	5,251
Occupancy		**5,909**	6,797
Corporate and branch governance	**12**	**1,015**	1,272
Amortization of core deposit intangible	**8**	**1,948**	1,799
		74,955	80,368
Income before the undernoted		**2,452**	7,142
Dividends and profit sharing distributions	**11**	**1,229**	4,153
Prosperity Fund	**19**	**235**	483
Income before income taxes		**988**	2,506
Provision for (recovery of) income taxes			
Current	**20**	**1,337**	1,443
Deferred	**20**	**(989)**	(157)
		348	1,286
Net income for the period		**640**	1,220

See accompanying notes

Statements of Comprehensive Income

[thousands of dollars]	12 months ended December 31, 2015	15 months ended December 31, 2014
Net income for the period	**640**	1,220
Other comprehensive income (loss)		
Items that will not be reclassified to income:		
Actuarial gain (loss) in employee defined benefit plans	**1,979**	(3,161)
Related income taxes	**(386)**	616
	1,593	(2,545)
Items that may be subsequently reclassified to income:		
Cash flow hedges - effective portion of changes in fair value	**(160)**	104
Related income taxes	**48**	(19)
	(112)	85
Other comprehensive income (loss) for the period, net of income taxes	**1,481**	(2,460)
Total comprehensive income (loss) for the period, net of income taxes	**2,121**	(1,240)

Libro Credit Union Limited

Statements of Owners' Equity

[thousands of dollars]	Note	12 months ended December 31, 2015	15 months ended December 31, 2014
Contributed surplus			
Balance at beginning of period		**51,285**	-
Acquisition of Hald-Nor Credit Union, net of tax	**25**	**9,713**	-
Acquisition of Kellogg Employees Credit Union		**-**	895
Amalgamation with United Communities Credit Union		**-**	50,390
Balance at end of period		**60,998**	51,285
Retained earnings			
Balance at beginning of period		**57,437**	56,217
Net income for the period		**640**	1,220
Balance at end of period		**58,077**	57,437
Accumulated other comprehensive income (loss), net of income taxes			
Balance at beginning of period		**(2,326)**	134
Other comprehensive income (loss) for the period		**1,481**	(2,460)
Balance at end of period		**(845)**	(2,326)
Total owners' equity at end of period		**118,230**	106,396

See accompanying notes

Libro Credit Union Limited

Statements of Cash Flows

[thousands of dollars]	12 months ended December 31, 2015	15 months ended December 31, 2014
Cash provided by (used in)		
Operating activities		
Net income for the period	**640**	1,220
Add (deduct) non-cash items:		
Depreciation and amortization	**4,223**	4,769
Amortization of discount/premium on loans and deposits	**3,177**	4,096
Provision for credit losses	**2,649**	3,745
Loss on disposal	**57**	237
Deferred income taxes	**(683)**	(662)
Changes in operating assets and liabilities:		
Decrease (increase) in accrued interest receivable	**318**	(1,705)
Increase in income taxes receivable	**(1,232)**	(214)
Increase in other assets	**(2,773)**	(2,836)
Increase in loans to owners	**(144,734)**	(236,704)
Increase in owners' deposits	**113,258**	151,499
Increase in accrued interest payable	**373**	4,204
Decrease in accrued and other liabilities	**(301)**	(3,203)
Increase in pension and other employee obligations	**803**	1,107
Unrealized losses on interest rate swap agreements	**4,107**	1,557
Increase (decrease) in stock dividends payable	**(2,805)**	480
Cash used in operating activities	**(22,923)**	(72,410)
Financing activities		
Increase in owners' capital accounts	**75,963**	107
Increase (decrease) in borrowings	**(10,745)**	3,589
Decrease in securitization liabilities	**(770)**	-
Cash provided by financing activities	**64,448**	3,696
Investing activities		
Decrease (increase) in investments	**(41,007)**	57,585
Purchase of property and equipment	**(2,953)**	(6,537)
Purchase of intangible assets	**(359)**	(571)
Net assets acquired through business combinations	**3,743**	25,941
Cash provided by (used in) investing activities	**(40,576)**	76,418
Net increase in cash and cash equivalents during the period	**949**	7,704
Cash and cash equivalents at beginning of period	**18,403**	10,699
Cash and cash equivalents at end of period	**19,352**	18,403

See accompanying notes

1) REPORTING ENTITY

Libro Credit Union Limited ("Libro" or the "credit union") is incorporated under the Credit Unions and Caisses Populaires Act (Ontario) (the "Act"), and is a member of the Deposit Insurance Corporation of Ontario ("DICO") and of Central 1 Credit Union ("Central 1"). The corporate office is located at 217 York Street in London, Ontario.

The credit union is primarily involved in providing a full range of retail, commercial and agricultural financial services to its Member/Owners in southwestern Ontario. The activities of the credit union are regulated by DICO. The credit union has 31 branch offices located across southwestern Ontario.

2) BASIS OF PREPARATION

[a] Statement of compliance

Libro follows accounting policies appropriate to its activities and governing legislation, which conform, in all material respects, to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

As a result of an amalgamation with United Communities Credit Union on January 1, 2014, as disclosed in note 25, Libro was required to adopt a December 31 year-end in accordance with the Act. As a result of this change, the comparative period ended December 31, 2014 reflects a 15-month period in the financial statements and, therefore, the financial information for the prior period being presented will not be entirely comparable.

The financial statements were authorized for issue by the Board of Directors on March 8, 2016. The Board of Directors have the power to amend the financial statements after issuance only in the case of discovery of an error.

[b] Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

(i) derivative financial instruments and available-for-sale financial assets are measured at fair value; and
(ii) the liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets.

[c] Currency

The financial statements are presented in Canadian dollars, which is the credit union's functional currency.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the credit union are summarized below.

[a] Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting periods. Actual results may differ from those estimates. Estimates and judgments are continually evaluated and are made based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances.

The most significant uses of estimates and judgments include the following:

(i) Fair value of financial instruments
Where the fair value of financial assets and liabilities cannot be derived from active markets, Libro uses valuation techniques that include the inputs derived from either observable market data or management judgment. Note 18 provides detailed information about the determination of the fair value of financial instruments.

(ii) Allowance for impairment on loans
Libro reviews its loan portfolio to assess impairment, and uses considerable judgment to determine whether or not a loan is impaired as a result of observable evidence. If a loan is considered to be impaired, the amount of the loss is based on management's best estimates. Further details regarding the impairment of loans are disclosed in note 23.

(iii) Retirement benefit obligations
Libro estimates the present value of employee retirement benefit obligations, which estimation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The actuarial valuation involves assumptions including discount rates, future salary increases, mortality rates, and other cost increases. Note 13 provides detailed information about the employee retirement benefit obligations.

(iv) Securitization
Libro enters into securitization transactions which require management's best estimates of key assumptions that would be used in determining fair value. Further details of securitization arrangements are disclosed in note 22.

[b] Foreign currency translation
Assets and liabilities denominated in foreign currencies, primarily US dollars, are translated into Canadian dollars at rates prevailing at the year-end date. Income and expenses are translated at the exchange rates in effect on the date of the transactions. Exchange gains and losses arising on the translation of monetary items are included in net income for the period.

[c] Interest income and expense
Interest income and expense is recognized in the Statements of Income for all interest-bearing financial instruments classified as held-to-maturity, available-for-sale debt instruments ("AFS"), loans and receivables and other financial liabilities using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. The application of this method has the effect of recognizing income and expense on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest, the credit union estimates cash flows (using projections based on its experience of owners' behaviour) considering all contractual terms of the financial instruments but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Where it is not possible or practical to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated using the payments or receipts specified in the contract, and the full contractual term.

[d] Fees

Unless included in the effective interest calculation, fees are recognized on an accrual basis as the service is provided and reported on the Statements of Income as Non-interest income.

[e] Financial assets and liabilities

International Accounting Standard 39 ("IAS 39") "Financial Instruments – Recognition and Measurement" establishes standards for recognizing and measuring financial assets and financial liabilities. It requires financial assets and liabilities to be recognized on the Balance Sheets when the credit union becomes a party to the contractual provisions of a financial instrument. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss, loans and receivables, held-to-maturity, AFS or other financial liabilities. Management determines the classification of financial assets and liabilities at initial recognition and the designations made for each financial instrument are indicated in the notes.

A description of the various designation classifications follows:

Fair value through profit or loss

A financial instrument is classified as fair value through profit or loss if it is designated as such on initial recognition or classified as held for trading if it is:

(i) acquired principally for the purpose of selling or repurchasing in the near term;
(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(iii) a derivative.

Financial instruments included in fair value through profit or loss are recognized initially at fair value and transaction costs are taken directly to the Statements of Income. Gains and losses arising from changes in the fair value of these instruments are also recorded in the Statements of Income. Financial instruments classified as (iii) cannot be transferred into or out of this category after inception. Financial instruments classified as (i) and (ii) above may be reclassified only in rare and unusual circumstances.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable repayment dates, usually with interest, that are not debt securities or instruments classified as held for trading on initial recognition. Loans and receivables are initially recognized at fair value including direct and incremental transaction costs. They are subsequently valued at amortized cost using the effective interest rate method.

Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the credit union's management has the intention and ability to hold to maturity. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently valued at amortized cost, using the effective interest rate method (see note 3[c]).

Available-for-sale
AFS assets are non-derivative financial assets that are designated as AFS or are not categorized into any of the other categories described above. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently measured at fair value with gains and losses arising from changes in fair value being recognized in other comprehensive income in the Statements of Owners' Equity until sale or impairment occurs, at which time the cumulative gain or loss is transferred to the Statements of Income.

AFS assets that do not have quoted market values in an active market and whose fair value cannot be reliably measured are carried at cost less impairment. Realized gains and losses on sale as well as interest and dividend income from these assets are included in investment income.

Financial liabilities
Financial liabilities are non-derivative financial liabilities and are measured at amortized cost using the effective interest rate method.

Financial instruments fair value hierarchy
Under IFRS 7 "Financial Instruments – Disclosure", Libro categorizes fair value measurements according to a three-level hierarchy. Level 1 includes values based on quoted prices in active markets, Level 2 includes values based on models that use observable inputs other than quoted prices and Level 3 includes values based on models that use non-observable inputs (see note 18).

[f] Derivatives and hedge accounting
Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes therein to notional contract amounts. Libro uses derivative financial instruments, primarily interest rate swaps, in order to manage interest rate exposure. Derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases as interest rate swap agreements.

These instruments are used economically for hedging activities of groups of on-balance sheet assets and liabilities and have either been classified as held for trading or designated as cash flow hedges. Where hedge accounting is not achieved, the changes in fair value of interest rate swaps classified as held for trading are immediately recognized in the Statements of Income as Investment income. Each hedge is documented at inception detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the group of assets or liabilities being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be measured.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized in other comprehensive income, while gains and losses in fair value relating to the ineffective portion are recognized immediately in the Statements of Income as Investment income. The amounts and timing of future cash flows are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the effective portion of gains and losses on the derivatives designated as cash flow hedges.

In a fair value hedge, the changes in fair value of the hedging derivative are offset on the Statements of Income by the change in fair value of the hedged item relating to the hedged risk. The financial instruments designated in fair value hedging relationships are loans. The fair value of the hedged item is reported in Loans to owners. The fair value of the hedging instrument is recorded as a derivative asset or liability on the Balance Sheets.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the forecasted transaction is eventually recognized in the Statements of Income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the Statements of Income.

Certain derivatives embedded in other financial instruments, such as the embedded option in an index-linked term deposit, are treated as separate derivatives when they can be separated from the host contract. These embedded derivatives are separately accounted for at fair value as derivative assets and liabilities with changes in fair market value recognized in the Statements of Income.

[g] Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts, and cheques and other items in transit. Given their short term nature, the carrying value of cash and cash equivalents equals fair value.

[h] Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Assets are generally depreciated on the following basis:

Buildings	40 to 50 years straight line
Building components	15 to 30 years straight line
Leasehold improvements	Term of lease plus one renewal term
Furniture and equipment	5 to 10 years straight line
Electronic equipment	3 to 5 years straight line
Computer equipment	2 to 7 years straight line

Depreciation in the first year is prorated based on the number of months the asset is in service. Depreciation methods, useful lives and residual value are reviewed annually and adjusted if necessary.

Impairment of non-financial assets
Non-financial assets are subject to an impairment test whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income.

[i] Intangible assets
Intangible assets are carried at cost less accumulated amortization. Intangible assets are amortized over their expected lives on the following basis:

Computer software	12 to 36 months straight line
Banking system software	5 to 10 years straight line
Core deposit intangibles	7 years straight line

The core deposit intangibles were acquired through business combinations. They represent the fair market value of the cost savings inherent in acquiring a portfolio of demand deposits with a lower cost of funding versus attracting funds in the open market.

Amortization in the first year is pro-rated based on the number of months the asset is in service.

Intangible assets are subject to impairment review as described under note 3[h].

[j] Income taxes
The credit union follows the asset and liability method of tax allocation used in accounting for income taxes. Under this method, deferred tax benefits and obligations are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on the credit union’s forecast of future operating results. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the credit union has a right and intention to set off current tax assets and liabilities for the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

[k] Allowance for credit losses

The allowance for credit losses represents individual and collective provisions established as a result of reviews of individual loans and groups of loans. A loan is considered impaired when any of the following conditions exist: payment is past due by 90 days and the loan is not fully secured, payment is past due by 180 days regardless of security, or there is reasonable doubt of being able to fully collect principal and interest on the loan.

Individual allowances are established for impaired loans by reviewing the creditworthiness of individual borrowers and the value of the collateral underlying the loan. In such cases, an allowance is established to write down the loan to its estimated realizable amount. The estimated realizable amount is determined by reducing the carrying amount of the loan to the present value of any expected cash flows from collateral. In cases where Libro has forgiven future income through the formal restructuring of a loan, the estimated realizable amount is established by discounting the expected future cash flows at the effective interest rate inherent in the loan.

Collective allowances represent the best estimate of probable losses within the loan portfolio that have not been individually identified. These losses are calculated using the historical actual probability that a loan will become impaired and ultimately be written off; adjusted for the current economic outlook, significant industry sector conditions and overall portfolio quality. To determine the probability of impairment, Libro groups loans with similar risk profiles together. The probability that a loan in the portfolio has experienced a triggering event and is actually impaired but not yet individually identified is then applied against all loans in various risk categories that have not been individually identified as impaired loans to determine the collective provision.

[l] Employee benefit plans

Libro maintains three pension plans for current employees and retirees, and one sick leave benefit plan. The pension plans consist of a Defined Benefit Plan (“DB”), a Supplementary Employee Retirement Plan (“SERP”), and a Defined Contribution Plan (“DC”).

Full actuarial valuations of the DB, SERP, and sick leave benefit plan are conducted no less frequently than every three years. The most recent valuation of these plans was prepared as at December 31, 2015.

(i) Defined benefit plans

For the DB pension plan, the SERP and the sick leave plan, plan assets are valued at fair market values. Benefit costs and accrued benefits are determined based upon actuarial valuations using the projected benefit method prorated on service and management’s best estimates. The expected return on plan assets is based on the fair value of plan assets.

Actuarial gains and losses are recognized immediately through other comprehensive income, under IAS 19 (revised 2011) “Employee Benefits”.

(ii) Defined contribution pension plan
For the DC pension plan, annual pension expense is equal to the credit union's contribution to the plan. The assets of the plan are held in independently administered funds. This plan was closed to new members effective July 1, 2014.

Service cost is the change in the present value of the defined benefit obligation resulting from employee service in either the current period or prior periods and from any gain or loss on settlement. Net interest is the change in the net defined benefit liability or asset that arises from the passage of time. Both service cost and net interest are recognized immediately in salaries and employee benefits.

Remeasurements of the net defined benefit liability include actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets excluding amounts included in net interest and changes in the effect of any assets ceilings. Remeasurements are recognized immediately in other comprehensive income.

[m] Cheques and other items in transit, net
Libro records cheques and other items in transit, representing uncleared settlements with other financial institutions, at cost. The net value of these items is included in Accrued and other liabilities or Other assets on the Balance Sheets.

[n] Leases
Lease payments for operating leases, where substantially all the risk and benefits remain with the lessor, and not the credit union, are charged as expenses over the period of the lease on a straight-line basis.

[o] Transfers of receivables
Libro occasionally sells receivables such as agricultural and commercial mortgage loans to other financial institutions to manage its portfolio diversification risk. In these instances, the credit risk is transferred to the purchasing institution, while Libro continues to administer the receivables. As such, the mortgage loans are removed from the Balance Sheets since control of the assets has been transferred. A nominal administration fee is paid to Libro each month, which is recorded as income when received.

The sale price of receivables is determined at fair market value, which may give rise to either a gain or loss on sale. This gain or loss is recognized at the time of the sale and recorded as Non-interest income on the Statements of Income.

[p] Loan securitization
For securitization transactions initiated prior to the date of transition to IFRS (January 1, 2010) in accordance with pre-changeover Canadian GAAP, loan securitizations were treated as a sale provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. For securitization transactions initiated after the date of transition to IFRS, loans are derecognized only when the contractual rights to receive the cash flows from the assets have ceased to exist or substantially all the risks and rewards of the loans have been transferred. If the criteria for derecognition has not been met, the securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized costs, using the effective interest rate method.

Transfer of financial assets where loans are derecognized
Gains or losses on securitization transactions are recognized immediately in the Statements of Income as Non-interest income. The amount of the gain or loss recognized depends in part on the previous carrying amount of the loans receivable involved in the transfer, allocated between the assets sold and the retained interests, based on their relative fair values at the date of the transfer. The amount of these gains or losses is based on the present value of expected future cash flows using management's best estimates of key assumptions, including prepayment rates, excess spread, credit losses, discount rates and other factors influencing the fair value of the loans.

Certain parts of the securitization interests are retained ("retained interests"), including the right to receive the future excess interest spread and the mortgage servicing liability. Retained interests for securitizations are designated as held for trading, with changes in fair value recorded through the Statements of Owners' Equity or the Statements of Income. The fair values of the retained interests are estimated using the same present value methodology noted above for the gain on securitization. Retained interests are reviewed annually to assess for impairment. Subsequent to the securitization, any retained interests that cannot be contractually settled in such a way that Libro can recover substantially all of its recorded investment are adjusted to fair value and the charge is recognized immediately in the Statements of Income.

Transfer of financial assets that are not derecognized
The securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the effective interest rate method. All loans are classified as loans and receivable and measured at amortized cost in the Balance Sheets. The credit union retains mortgage servicing responsibilities but does not receive an explicit servicing fee.

[q] Going concern
Libro has made an assessment of its ability to continue as a going concern and is satisfied that the credit union has the resources to continue in business for the foreseeable future. Libro is not aware of any material uncertainties that may cause significant doubt regarding the credit union's ability to continue as a going concern. The financial statements have been prepared on a going concern basis.

[r] Changes in accounting policy

Effective January 1, 2015, the credit union adopted several new and amended accounting pronouncements:

(i) Amendments to IAS 32 "Financial Instruments – Presentation"
The amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" were issued by the IASB in December 2011 and are effective for years beginning on or after January 1, 2014. The amendments did not impact the presentation of the credit union's financial assets and financial liabilities in the financial statements.

(ii) Amendments to IAS 39 "Financial Instruments – Recognition and Measurement"
The amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" were issued by the IASB in June 2013 and are effective for years beginning on or after January 1, 2014. The amendments address the accounting for derivatives designated as a hedging instrument when there has

been a change in counterparty. Under the amendments, for situations in which a law or regulation requires such novation to the new counterparty, the credit union can continue the current hedge designation despite the change. A novation occurs when the parties of the derivative agree to change counterparties for the purposes of using a central counterparty for clearing. The adoption of the amendment did not impact the credit union's financial statements.

(iii) IFRIC 21 "Levies"
Amendments to IFRIC 21 "Levies" were issued by the IASB on May 2013 and are effective for years beginning on or after January 1, 2014. IFRIC 21 provides guidance on recognizing liabilities for payments to government in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". It does not provide guidance on accounting for income taxes, fines and penalties or for acquisition of assets or services from governments. IFRIC 21 establishes that a liability for a levy is recognized when the activity that triggers payment occurs. The adoption of the amendments did not impact the credit union's financial statements.

Other standards, amendments and interpretations that are effective for the financial year beginning on January 1, 2014 are not material to the credit union.

[s] Future accounting changes

The following standards have been issued, but are not yet effective for Libro. The credit union is currently assessing the impact of the application of these standards on the financial statements and will adopt these standards when they become effective.

(i) IFRS 15 "Revenue from Contracts with Customers"
IFRS 15 "Revenue from Contracts with Customers" was issued in May 2014 and is effective for years beginning on or after January 1, 2018, to be applied retrospectively or on a modified retrospective basis. IFRS 15 clarifies revenue recognition principles, provides a robust framework for recognizing revenue and cash flows arising from contracts with customers and enhances qualitative and quantitative disclosure requirements. IFRS 15 does not apply to financial instruments and other related contractual rights and obligations and lease contracts. Accordingly, the adoption of IFRS 15 may impact the revenue recognition related to the credit union's asset management and service contracts and may result in additional financial statement disclosure. The credit union is assessing the impact of this standard.

(ii) IFRS 9 "Financial Instruments"
IFRS 9 "Financial Instruments" was issued in November 2009 and amended in October 2010, November 2013 and July 2014, and is effective for years beginning on or after January 1, 2018, to be applied retrospectively, or on a modified retrospective basis. It is intended to replace IAS 39 "Financial Instruments – Recognition and Measurement". The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting.

The current classification and measurement methodology of IFRS 9 provides that financial assets are measured at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged; however, revisions have been made in the accounting for changes in fair value of a financial liability attributable to changes in the credit risk of that liability. Gains or losses caused by changes in an entity's own credit risk on such liabilities are no longer recognized in profit or loss but instead are reflected in other comprehensive income.

Revisions issued in July 2014 replace the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Revisions to hedge accounting were issued in November 2013 as part of the overall IFRS 9 project. The amendment introduces a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

The credit union is currently assessing the impact of this standard on its financial statements.

(iii) Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 "Presentation of Financial Statements" were issued in December 2014 and are effective for years beginning on or after January 1, 2016. The amendments clarify existing requirements relating to materiality and aggregation, along with presentation of subtotals in the financial statements. Adoption of these amendments is not expected to have a significant impact on the credit union's financial statements.

4) INVESTMENTS

Investments consist of the following:

[thousands of dollars]		December 31, 2015 $	December 31, 2015 Effective Rate	December 31, 2014 $	December 31, 2014 Effective Rate
Short-term investments (due within 1 year):					
Bank Investment Deposits, fair value of $11,362 [$28,540 in 2014]	i	**11,362**	**0.35%**	28,540	0.70%
Central 1 Liquidity Reserve Deposit, fair value of $113,423 [$45,035 in 2014]	i	**112,951**	**1.24%**	45,182	1.32%
Central 1 Deposits, fair value of $65,659 [$28,053 in 2014]	i	**65,712**	**1.06%**	27,987	1.42%
		190,025	**1.13%**	101,709	1.17%
Long-term investments (due beyond 1 year):					
Central 1 Liquidity Reserve Deposit, market value of $74,483 [$121,925 in 2014]	i	**74,087**	**1.06%**	121,617	1.41%
Central 1 Deposits, fair value of $17,196 [$9,903 in 2014]	i	**17,364**	**1.08%**	9,895	1.00%
CUCO Co-Op shares (Class B)	ii	**5,554**	**0.00%**	4,937	0.00%
Central 1 Class A shares	iii	**11,203**	**2.00%**	9,648	2.00%
Central 1 Class E shares	iii	**9,075**	**2.00%**	8,581	2.00%
Other investments	iii	**548**	**0.00%**	548	0.00%
		117,831	**1.17%**	155,226	1.41%
		307,856	**1.14%**	256,935	1.31%

Financial Instrument Classifications:
- i Loans and receivables
- ii Held-for-trading
- iii Available-for-sale

Central 1 Liquidity Reserve Deposit

The credit union is a member of Central 1. As a condition of maintaining that membership, the credit union is required to keep a liquidity reserve deposit equal to 6% of its total assets on a monthly basis. The investment consists of a number of individual deposits, invested at fixed market rates for various terms which mature within two years. The liquidity reserve deposit can only be withdrawn if there is a reduction in the credit union's total asset base, or upon withdrawal from membership in Central 1.

These investments meet the IAS 39 definition of loans and receivables. The terms and conditions of these instruments are consistent with a lending contract whereby cash flows are advanced to Central 1 with a commitment to repay the credit union at a specified rate of interest according to pre-set maturity dates.

Central 1 Deposits

The credit union holds excess liquidity in Central 1 interest deposits with various maturity dates.

Shares in Central 1

The credit union is required to keep an investment in shares of Central 1 as a condition of maintaining membership as determined by the Central 1 Board of Directors from time to time. They may be surrendered upon withdrawal from membership for proceeds equal to the paid-in value, to be received in accordance with a Central 1 by-law providing for the redemption of share capital.

Central 1 Class A shares are carried at fair value. These shares are subject to annual rebalancing and the redemption value is equal to par value. In this circumstance, fair value is considered to be equivalent to par value or redemption value.

Central 1 Class E shares are carried at cost. These shares are not subject to annual rebalancing and the redemption value is not equal to par value. There is no active market for these shares, as they are issued only as a condition of membership in Central 1, and the fair value cannot be reliably measured.

CUCO Cooperative Association ("CUCO Co-Op")
The credit union has an investment in CUCO Cooperative Association ("CUCO Co-op"), which is owned collectively by Ontario credit unions and is located in Toronto, ON. CUCO Co-op was formed in 2011, through the restructuring of Credit Union Central of Ontario and ABCP (2008) Limited Partnership (the "LP"). The assets of CUCO Co-op consist primarily of third-party asset-backed commercial paper ("ABCP") investments and cash resources.

As the market for certain of the investments remains relatively illiquid, valuations for some components of the ABCP were provided by an independent valuation firm engaged by CUCO Co-op, who employed the use of valuation models. The calculation of the estimated fair market value is based on market conditions as at year-end and may not be reflective of future fair market values. Due to market conditions in the past year and the passage of time as the investments move closer to maturity, the fair market value of the investment has increased by $317,000 [$555,000 in 2014] based on the valuation model received from CUCO Co-Op. This amount has been reflected in Investment income.

Libro received no distributions during the year. For the 15-months ended December 31, 2014, Libro received distributions in the amount of $4,204,000, which were recorded as a return of the initial capital invested.

5) LOANS TO OWNERS

	December 31, 2015			
[thousands of dollars]	Principal Balance	Impaired Loans	Allowance for Credit Losses	Net Loans
Residential mortgage loans	**1,038,123**	**478**	**90**	**1,038,033**
Personal loans	**256,997**	**254**	**427**	**256,570**
Agricultural loans	**703,844**	**1,337**	**12**	**703,832**
Commercial loans	**711,875**	**4,976**	**7,008**	**704,867**
	2,710,839	**7,045**	**7,537**	**2,703,302**

	December 31, 2014			
[thousands of dollars]	Principal Balance	Impaired Loans	Allowance for Credit Losses	Net Loans
Residential mortgage loans	881,681	532	109	881,572
Personal loans	239,167	239	750	238,417
Agricultural loans	647,444	1,897	782	646,662
Commercial loans	670,069	12,385	4,886	665,183
	2,438,361	15,053	6,527	2,431,833

Loans to owners can have either a variable or fixed-rate of interest and mature within 10 years. Variable rate loans are based on a “prime rate plus” formula with the rate above prime being determined by the size of the loan, the type of collateral offered, the purpose of the loan and the owner’s creditworthiness. Interest rates offered on fixed rate loans vary depending on the size of the loan, the type of collateral offered, the purpose of the loan, the owner’s creditworthiness and the loan term. All loans to owners have been designated as loans and receivables.

Residential mortgage loans include $246,231,000 of loans insured by the Canada Mortgage and Housing Corporation [$224,356,000 in 2014].

Personal loans include $117,410,000 of personal line of credit loans secured by collateral first mortgages on owners’ residential property [$104,496,000 in 2014]. In accordance with the Act, these loans have been designated as residential mortgage loans for the purposes of risk-weighted capital requirements (see note 12).

From time to time owner loans may be renegotiated, either as part of an ongoing owner relationship or in response to a change in the circumstances of the owner. Renegotiations and debt restructuring are in the normal course of the credit union’s business. It is possible that a renegotiation could result in an extension of the due date of a repayment; however, the new terms and new interest rates would reflect the current market rates and economic environment. These are treated as new agreements and the loan would not be considered delinquent or impaired. If an owner is in financial distress they may be placed on an interest-only payment plan. This will result in the loan continuing to be delinquent and the loan will be considered as part of the impairment policy.

As at December 31, 2015, the balances of loans in arrears within the portfolio were as follows:

	December 31, 2015				
[thousands of dollars]	**Residential Mortgage Loans**	**Personal Loans**	**Agricultural Loans**	**Commercial Loans**	**Total**
Current	**1,027,167**	**245,065**	**697,421**	**687,887**	**2,657,540**
Less than 30 days arrears	**9,101**	**10,912**	**3,217**	**17,457**	**40,687**
30–89 days arrears	**1,262**	**746**	**1,517**	**1,487**	**5,012**
90–179 days arrears	**115**	**194**	**352**	**275**	**936**
180–365 days arrears	**334**	**48**	**1,337**	**1,570**	**3,289**
More than 365 days arrears	**144**	**32**	**-**	**3,199**	**3,375**
	1,038,123	**256,997**	**703,844**	**711,875**	**2,710,839**

	December 31, 2014				
[thousands of dollars]	**Residential Mortgage Loans**	**Personal Loans**	**Agricultural Loans**	**Commercial Loans**	**Total**
Current	869,366	233,088	636,383	646,045	2,384,882
Less than 30 days arrears	10,675	5,065	4,491	9,370	29,601
30–89 days arrears	913	743	3,068	6,065	10,789
90–179 days arrears	249	136	1,392	5,409	7,186
180–365 days arrears	360	40	452	1,406	2,258
More than 365 days arrears	118	95	1,658	1,774	3,645
	881,681	239,167	647,444	670,069	2,438,361

As at December 31, 2015, the term to maturity and effective interest rates of the loan portfolio were as follows:

[thousands of dollars] December 31, 2015 Maturity	**Variable**	**1 year or less**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**Over 5 to 7 years**	**Over 7 to 10 years**	**Total**
Total loans	**939,881**	**396,110**	**362,369**	**332,649**	**333,890**	**306,833**	**18,769**	**20,338**	**2,710,839**
Effective interest rate	**4.06%**	**4.18%**	**4.07%**	**3.84%**	**3.59%**	**3.36%**	**4.44%**	**4.12%**	**3.92%**

[thousands of dollars] December 31, 2014 Maturity	**Variable**	**1 year or less**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**Over 5 to 7 years**	**Over 7 to 10 years**	**Total**
Total loans	921,032	368,720	282,596	300,250	262,742	264,881	18,258	19,882	2,438,361
Effective interest rate	4.74%	4.41%	4.51%	4.14%	3.86%	3.60%	4.70%	4.62%	4.37%

6) ALLOWANCE FOR CREDIT LOSSES

	December 31, 2015				
[thousands of dollars]	Residential Mortgage Loans	Personal Loans	Agricultural Loans	Commercial Loans	Total Allowance
Balance, January 1, 2015	**109**	**750**	**782**	**4,886**	**6,527**
Transfer on acquisition - Hald-Nor [note 25]	**7**	**79**	**-**	**397**	**483**
Collection of accounts previously written off	**3**	**176**	**-**	**8**	**187**
Accounts written off	**(126)**	**(861)**	**(610)**	**(712)**	**(2,309)**
Provision for credit losses	**97**	**283**	**(160)**	**2,429**	**2,649**
Balance, December 31, 2015	**90**	**427**	**12**	**7,008**	**7,537**

	December 31, 2014				
[thousands of dollars]	Residential Mortgage Loans	Personal Loans	Agricultural Loans	Commercial Loans	Total Allowance
Balance, October 1, 2013	15	471	85	1,597	2,168
Transfer on acquisition - Kellogg [note 25]	73	-	-	-	73
Transfer on amalgamation - United [note 25]	175	623	95	1,118	2,011
Collection of accounts previously written off	7	217	-	66	290
Accounts written off	(161)	(1,240)	(29)	(330)	(1,760)
Provision for credit losses	-	679	631	2,435	3,745
Balance, December 31, 2014	109	750	782	4,886	6,527

A collective allowance of $1,259,000 [$1,402,000 in 2014] is included in the overall allowance for credit losses. Collective allowances represent the best estimate of probable losses within the loan portfolio that have not been individually identified. These losses are calculated using the probability based on historic results that a loan will become impaired and ultimately be written off, adjusted for the current economic outlook, significant industry sector conditions, and overall portfolio quality. To determine the probability of impairment, Libro groups loans with similar risk profiles together. The probability that a loan in the portfolio has experienced a triggering event and is actually impaired but not yet individually identified is then applied against all loans in various risk categories that have not been individually identified as impaired loans to determine the collective provision. Accounts are written off after all reasonable attempts to collect have been exhausted.

7) PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2015						
[thousands of dollars]	Buildings and Components	Land	Leasehold Improvements	Furniture and Equipment	Electronic Equipment	Computer Equipment	Total
Cost:							
Opening balance	**37,542**	**5,433**	**6,854**	**6,243**	**5,515**	**2,839**	**64,426**
Additions and adjustments	**1,748**	**200**	**(753)**	**403**	**770**	**585**	**2,953**
Additions from business combination [note 25]	**705**	**1,092**	**21**	**74**	**122**	**33**	**2,047**
Disposals and fully depreciated assets written off	**-**	**-**	**-**	**(25)**	**-**	**(22)**	**(47)**
As at December 31, 2015	**39,995**	**6,725**	**6,122**	**6,695**	**6,407**	**3,435**	**69,379**
Accumulated depreciation:							
Opening balance	**(10,622)**	**-**	**(2,360)**	**(3,841)**	**(3,963)**	**(1,570)**	**(22,356)**
Current period depreciation	**(1,463)**	**-**	**(392)**	**(432)**	**(636)**	**(678)**	**(3,601)**
Disposals, adjustments and fully depreciated assets written off	**3**	**-**	**(38)**	**(21)**	**(18)**	**80**	**6**
As at December 31, 2015	**(12,082)**	**-**	**(2,790)**	**(4,294)**	**(4,617)**	**(2,168)**	**(25,951)**
Net book value	**27,913**	**6,725**	**3,332**	**2,401**	**1,790**	**1,267**	**43,428**

	December 31, 2014						
[thousands of dollars]	Buildings and Components	Land	Leasehold Improvements	Furniture and Equipment	Electronic Equipment	Computer Equipment	Total
Cost:							
Opening balance	26,962	3,511	4,476	5,428	5,039	5,184	50,600
Additions and adjustments	4,511	-	94	847	532	553	6,537
Additions from business combinations [note 25]	6,142	1,922	2,386	557	956	930	12,893
Disposals and fully depreciated assets written off	(73)	-	(102)	(589)	(1,012)	(3,828)	(5,604)
As at December 31, 2014	37,542	5,433	6,854	6,243	5,515	2,839	64,426
Accumulated depreciation:							
Opening balance	(8,917)	-	(2,036)	(3,752)	(4,400)	(4,551)	(23,656)
Current period depreciation	(1,659)	-	(483)	(510)	(575)	(848)	(4,075)
Disposals, adjustments and fully depreciated assets written off	(46)	-	159	421	1,012	3,829	5,375
As at December 31, 2014	(10,622)	-	(2,360)	(3,841)	(3,963)	(1,570)	(22,356)
Net book value	26,920	5,433	4,494	2,402	1,552	1,269	42,070

Libro owns properties in which space not used by the credit union is rented to tenants for the purpose of earning rental income. The cost of the land and buildings with respect to floor space rented to tenants by Libro is $12,927,000 [$11,820,000 in 2014]. The land and buildings have a net book value of $9,511,000 [$9,150,000 in 2014].

The total gross revenue on credit union owned rental properties in 2015 was $1,981,000 [$2,433,000 in 2014], which resulted in net income of $320,000 [$316,000 in 2014]. The net rental income or loss has been included in non-interest income.

8) INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31, 2015			
[thousands of dollars]	Computer Software	Banking System Software	Core Deposit Intangibles	Total
Cost:				
Opening balance	**1,162**	**4,086**	**12,662**	**17,910**
Additions and adjustments	**359**	**-**	**-**	**359**
Additions from business combination [note 25]	**12**	**-**	**2,336**	**2,348**
Disposals and fully amortized assets written off	**(20)**	**-**	**-**	**(20)**
As at December 31, 2015	**1,513**	**4,086**	**14,998**	**20,597**
Accumulated amortization:				
Opening balance	**(810)**	**(3,284)**	**(1,799)**	**(5,893)**
Current period amortization	**(468)**	**(154)**	**(1,948)**	**(2,570)**
Disposals, adjustments and fully amortized assets written off	**4**	**-**	**-**	**4**
As at December 31, 2015	**(1,274)**	**(3,438)**	**(3,747)**	**(8,459)**
Net book value	**239**	**648**	**11,251**	**12,138**

	December 31, 2014			
[thousands of dollars]	Computer Software	Banking System Software	Core Deposit Intangibles	Total
Cost:				
Opening balance	2,881	4,015	-	6,896
Additions and adjustments	500	71	-	571
Additions from business combinations [note 25]	18	-	12,662	12,680
Disposals and fully amortized assets written off	(2,237)	-	-	(2,237)
As at December 31, 2014	1,162	4,086	12,662	17,910
Accumulated amortization:				
Opening balance	(2,533)	(3,095)	-	(5,628)
Current period amortization	(505)	(189)	(1,799)	(2,493)
Disposals, adjustments and fully amortized assets written off	2,228	-	-	2,228
As at December 31, 2014	(810)	(3,284)	(1,799)	(5,893)
Net book value	352	802	10,863	12,017

9) OTHER ASSETS

Other assets consist of the following:

[thousands of dollars]	December 31, 2015	December 31, 2014
Prepaid items	**857**	539
Other receivables, including retained interests	**1,495**	1,094
Cheques and other items in transit, net [note 3[m]]	**32,552**	29,906
	34,904	31,539

10) LOANS PAYABLE

Libro has access to lines of credit facilities at Central 1 totalling $25,168,000 Canadian (CDN) [$30,000,000 CDN in 2014] and $3,500,000 US [$4,000,000 US in 2014] and term and other loan facilities totalling $73,832,000 CDN [$66,000,000 CDN in 2014]. The largest draw on the line of credit facility was $11,029,000 CDN in 2015 [$4,827,000 US in 2014].

The lines of credit are payable on demand and bear interest at 1.25%, while the term loans are payable at maturity and bear interest at a fixed rate. Libro has given a promissory note and pledged as collateral an assignment of its book debts.

These loans have been designated as financial liabilities and at period-end they were utilized as follows:

	December 31, 2015		December 31, 2014	
[thousands of dollars]	Amount Owing $	Rate %	Amount Owing $	Rate %
Borrowings	-	-	5,150	3.00
Securitization liabilities	**4,161**	**2.15**	4,931	2.15
	4,161	**2.15**	10,081	2.58

11) OWNERS' CAPITAL ACCOUNTS

Membership shares

An unlimited number of membership shares have been authorized with a stated value of $1 per share. Owners who are age 18 and over are required to have a minimum of 50 shares while owners under that age are required to have 10 shares. These shares are redeemable at their stated value only when the owner withdraws from ownership in Libro. As at December 31, 2015, Libro had 101,868 [95,192 in 2014] owners who held a total of 4,845,081 membership shares [4,525,960 in 2014]. Each owner who is age 16 and over is entitled to one vote.

Class P shares

An unlimited number of Class P non-cumulative, non-voting, non-participating special shares have been authorized having an issue price of $1. As at December 31, 2015, there were 29,023,981 Class P shares outstanding [26,598,820 in 2014].

Class I shares

An unlimited number of Class I non-cumulative, non-voting, non-participating special shares have been authorized to be issued in series at a price of $1. As at December 31, 2015, there were a total of 111,025,560 Class I shares outstanding [37,381,098 in 2014].

As at December 31, 2015, the number of Class I shares outstanding by series were as follows: 3,526,057 Series 1 [3,693,689 in 2014], 3,077,693 Series 2 [3,084,882 in 2014], 8,746,240 Series 3 [9,390,642 in 2014], and 20,675,570 Series 4 [21,211,885 in 2014].

Class P and I shares are redeemable by the holder only under certain restricted conditions. The aggregate maximum amount that can be redeemed in any year cannot exceed 10% of the outstanding balance, including any dividends declared but not yet paid, of either the Class P or each series of the Class I shares, provided regulatory capital requirements are met. For fiscal year 2015, the aggregate maximum amount that could be redeemed is $3,024,000 in Class P shares and $3,695,000 in Class I shares.

Libro offered for sale to its owners in November 2015 the Libro Prosperity Class I Investment Shares, Series 5 ("Prosperity Series 5 Shares") which are non-cumulative, non-voting, non-participating, redeemable special shares having an issue price of $1. Prosperity Series 5 Shares are not redeemable for five years following their issuance. The maximum 75,000,000 Prosperity Series 5 Shares were sold and then issued on December 5, 2015.

[number of shares in thousands]	Membership Shares	Class A Shares	Class P Shares	Class B Shares	Class I Shares	Total
Outstanding, October 1, 2013	2,818	23,787	-	32,812	-	59,417
New shares issued	406	-	-	-	-	406
Shares redeemed	(295)	(373)	(1,859)	(1,682)	(1,753)	(5,962)
Shares acquired or converted on combination	1,597	(27,098)	27,883	(32,114)	38,713	8,981
Shares issued as dividends	-	3,684	575	984	421	5,664
Outstanding, December 31, 2014	**4,526**	**-**	**26,599**	**-**	**37,381**	**68,506**
New shares issued	**693**	**-**	**3,854**	**-**	**75,000**	**79,547**
Share issuance costs	**-**	**-**	**-**	**-**	**(155)**	**(155)**
Shares redeemed	**(1,124)**	**-**	**(1,753)**	**-**	**(2,343)**	**(5,220)**
Shares acquired or converted on combination	**750**	**-**	**-**	**-**	**-**	**750**
Shares issued as dividends	**-**	**-**	**324**	**-**	**988**	**1,312**
Outstanding, December 31, 2015	**4,845**	**-**	**29,024**	**-**	**110,871**	**144,740**

All owners' capital accounts have been designated as financial liabilities. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

The credit union's dividend policy for the Prosperity Series 5 Shares is to pay a dividend rate the greater of 4.00% or a rate which exceeds by 1.25% the simple average of the yields on the monthly series of the Government of Canada five-year bonds during the fiscal years ending on or before December 31, 2020. For fiscal years ending after that date, the rate will be equal to or greater than the rate which exceeds by 1.25% the simple average of the yield on the monthly series of the Government of Canada five-year bonds during the fiscal year.

The credit union's dividend policy for Class I shares Series 1 to 4 is to pay at a minimum, a rate equal to the average Government of Canada 3-5 year marketable bond yield plus 1%, which for 2015 was 1.68% [2.38% in 2014]. The credit union harmonized the dividend policy for all five series of Class I Investment Shares aligned with the dividend policy for the Prosperity Series 5 Shares, increasing the dividend to 2.56% for Series 1 to 4 [2.80% in 2014] to include the prorated dividend for the Prosperity 5 Series Shares for the period from date of issue to December 31, 2015.

Prior to the fiscal year end, the Board of Directors approved its intent to distribute a portion of the current year's earnings in the form of stock dividends to be paid in the subsequent year, as follows:

[thousands of dollars]	12 months ended December 31, 2015	15 months ended December 31, 2014
Class P Profit share distribution - calculated as $0.20 for every $1,000 of average deposit and loan balances [$0.90 in 2014]	**994**	3,909
Class P Profit share dividend - calculated as 0.84% on owner Class P Profit share holdings as at period-end [1.05% in 2014]	**220**	254
Class I, Series 1 Investment share dividend of 2.56% [2.80% in 2014]	**90**	103
Class I, Series 2 Investment share dividend of 2.56% [2.80% in 2014]	**79**	29
Class I, Series 3 Investment share dividend of 2.56% [2.80% in 2014]	**224**	263
Class I, Series 4 Investment share dividend of 2.56% [2.80% in 2014]	**530**	598
Class I, Prosperity Series 5 Investment share dividend of 4.00%	**214**	-
Stock dividends payable at period-end	**2,351**	5,156
Class I, Series 1 Investment share dividend paid to December 31, 2013 at a rate of 2.58% on former United Communities Woodslee Investment Shares	**-**	93
Class I, Series 2 Investment share dividend paid to August 31, 2014 at a rate of 2.89% on former United Communities Heartland Investment Shares	**-**	87
Class I, Series 3 & 4 Investment share dividend paid to December 31, 2013 at a rate of 3.00% on former Libro Series 95 and Series 2004 Investment Shares	**-**	241
Class P Profit share distribution - calculated as $0.50 for every $1,000 of average deposit and loan balances for the former United Communities Credit Union from January to December 2013	**-**	575
Accrued dividends from prior years and acquired on combination	**9**	(690)
Dividend expense	**2,360**	5,462

Although owners' shares are regarded as capital for regulatory purposes, they impose a contractual obligation on Libro to pay cash in certain defined future circumstances and have, therefore, been classified as liabilities for the purposes of these financial statements. Correspondingly, dividends paid on those shares have been included in the Statements of Income as a charge to earnings.

12) REGULATORY INFORMATION

[a] Regulatory capital

Libro's capital management plan is designed to establish a strong base for future growth, the payment of dividends and profit sharing, as well as provide a cushion in the event of market volatility. Libro's capital plan is designed to comply with the Act, which requires Libro to maintain regulatory capital of not less than 4% of total assets and 8% of a risk-weighted equivalent value. The risk-weighted equivalent value is calculated by applying risk-weighted percentages as prescribed by the Act to various assets, operational and interest rate risk criteria. As at December 31, 2015, the total risk-weighted equivalent value for Libro was $1,986,823,000 [$1,821,754,000 in 2014].

Libro is in compliance with the Act and regulations regarding regulatory capital as follows:

[thousands of dollars]	12 months ended December 31, 2015	15 months ended December 31, 2014
Tier 1 Capital		
Membership shares	**4,845**	4,526
Investment and patronage shares	**139,895**	63,980
Stock dividends payable	**2,351**	5,156
Redeemable portion of shares	**(6,719)**	(6,914)
Retained earnings	**58,077**	57,437
Contributed surplus	**60,998**	51,285
Unqualified portion of fair value adjustments	**580**	(1,392)
Total Tier 1 Capital	**260,027**	174,078
Tier 2 Capital		
Redeemable portion of shares	**6,719**	6,914
Collective allowance for credit losses	**1,259**	1,402
AOCI defined benefit plans	**(653)**	(2,430)
Total Tier 2 Capital	**7,325**	5,886
Total regulatory capital	**267,352**	179,964
% of total assets	**8.54%**	6.42%
% of risk-weighted assets	**13.46%**	9.88%

[b] Restricted party transactions

As at December 31, 2015, the aggregate value of loans, lines of credit, overdrafts and letters of credit outstanding to directors, officers, their spouses and related corporations amounted to $8,994,000 [$9,109,000 in 2014]. There was no allowance for credit losses required in respect of these credit facilities. Interest rates and other terms and conditions relating to loans to directors are the same as those offered to all owners of Libro. Terms and rates of loans offered to officers are the same as all terms and rates offered to all Libro staff. Loans committed to restricted parties were $75,000 [$74,257 in 2014].

Deposits held for restricted parties were $6,977,000 [$7,044,000 in 2014]. Terms and rates of deposits for officers and directors are the same as those offered to all Libro owners.

The total compensation paid to officers was $1,872,000 [$2,392,000 in 2014] and the total remuneration paid to elected representatives, including directors was $400,000 [$458,000 in 2014]. In addition to this remuneration, total reimbursement to directors and committee members for travel and out-of-pocket expenses for attendance at meetings was $349,000 [$544,000 in 2014].

[c] Executive compensation
The Act requires disclosure of the five highest paid officers and employees where the remuneration paid during the year exceeded $150,000. The names, positions and remuneration paid during the period of these officers and employees are as follows:

[thousands of dollars]		12 months ended December 31, 2015			
Name	**Title**	**Salary**	**Variable Compensation**	**Monetary Value of Benefits**	**Total**
Stephen Bolton	President & CEO	**362**	**140**	**44**	**546**
Rick Hoevenaars	EVP Finance & CFO	**225**	**49**	**24**	**298**
Scott Ferguson	EVP Information Systems	**210**	**48**	**23**	**281**
Carol Normandeau	EVP Advice & Service Delivery	**201**	**43**	**21**	**265**
Frank Kennes	VP Agriculture & Commercial	**190**	**44**	**21**	**255**

[thousands of dollars]		15 months ended December 31, 2014			
Name	**Title**	**Salary**	**Variable Compensation**	**Monetary Value of Benefits**	**Total**
Stephen Bolton	President & CEO	412	125	50	587
Rick Hoevenaars	EVP Finance & CFO	262	43	29	334
Theresa Mikula	Human Resources Specialist	227	62	25	314
Scott Ferguson	EVP Information Systems	248	38	27	313
Frank Kennes	VP Agriculture & Commercial	234	39	25	298

The Executive Leadership Team at Libro includes the President & CEO, and all individuals with positions titled Executive Vice President (EVP).

On an annual basis, the Board of Directors reviews executive compensation and considers market expectations for similar roles in comparable organizations nationally. Variable compensation is based on corporate performance against strategic metrics set at the beginning of the year. The monetary value of benefits includes a pension plan, sick leave plan, dental plan, health plan, and life and disability insurance.

[d] Deposit insurance
The net annual premium paid to DICO for insuring owners' deposits during the 12 months ended December 31, 2015 was $2,340,000 [$2,335,000 for the 15 months ended December 31, 2014].

[e] Central 1 fees
The total fees paid to Central 1 amounted to $1,285,000 for the 12 months ended December 31, 2015 [$1,181,000 for the 15 months ended December 31, 2014]. These fees were primarily in respect of banking and clearing services, and membership dues.

13) EMPLOYEE FUTURE BENEFITS

Libro sponsors a defined benefit pension plan, a defined contribution pension plan, a supplementary employee retirement plan, and a sick leave benefit plan providing pension and sick leave benefits to eligible employees. The defined contribution pension plan is for staff who were formerly employed by United Communities Credit Union, who were given the option to either remain in the plan or join the defined benefit pension plan. The defined contribution pension plan has been closed to new entrants.

The credit union employees' defined benefit pension plan is administered by CUMIS Life Insurance Company, while the defined contribution pension plan is administered by Great West Life.

The defined benefit pension plan is operated under Ontario's Pension Benefits Act. The Pension Benefits Act is administered by the Superintendent of Financial Services appointed by the Financial Services Commission of Ontario ("FSCO"). Plan valuations must be filed with both the FSCO and with the Canada Revenue Agency.

The Pension Benefits Act prescribes the minimum contributions that the credit union must make to the plan. The Income Tax Act (Canada) places a maximum limit on the amount of employer contributions. Responsibility for governance of the plans, including investment decisions and contribution schedules lies with the credit union.

During 2009, the credit union amended its sick leave benefit plan whereby after December 31, 2008, staff members can no longer accrue a benefit to be paid out on termination or retirement. Existing members had their accumulated sick leave days capped at the level achieved as at December 31, 2008 (Pre-2009 days).

[a] Defined benefit plans

Actuarial valuations of the plans are made based on market-rated discount rates. The following table presents information related to Libro's benefit plans as at December 31, 2015 and 2014, including the amounts recorded on the Balance Sheets, and the components of net periodic benefit expense:

	12 months ended December 31, 2015		15 months ended December 31, 2014	
[thousands of dollars]	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Accrued benefit obligation				
Balance at beginning of period	**36,548**	**2,300**	27,378	2,122
Current service cost	**3,184**	**-**	2,236	-
Interest cost	**1,586**	**90**	1,738	124
Benefits paid	**(453)**	**(94)**	(759)	(46)
Employees' contributions	**137**	**-**	175	-
Actuarial loss (gain)	**(1,011)**	**(68)**	5,780	100
Balance at end of period	**39,991**	**2,228**	36,548	2,300
Plan assets				
Fair value at beginning of period	**28,725**	**-**	22,512	-
Expected return on plan assets	**1,183**	**-**	1,398	-
Employer contributions	**2,007**	**94**	2,679	46
Employee contributions	**137**	**-**	175	-
Benefits paid	**(453)**	**(94)**	(759)	(46)
Gain on assets	**900**	**-**	2,720	-
Fair value at end of period	**32,499**	**-**	28,725	-
Funded status - plan deficit	**(7,492)**	**(2,228)**	(7,823)	(2,300)

The supplementary employee retirement plan is included in the defined benefit pension plan.

Assets held within the pension plan consist of balances in the CUMIS Retirement Security Fund (0.1%), units of Franklin Templeton's Balanced Trust Fund (45.5%), and Mawer Investment Management's Balanced Fund (54.4%).

Libro's net defined benefit plan expenses recognized in the Statements of Income were as follows:

	12 months ended December 31, 2015		15 months ended December 31, 2014	
[thousands of dollars]	**Pension Benefits**	**Sick Leave Benefits**	**Pension Benefits**	**Sick Leave Benefits**
Current service cost	**3,184**	**-**	2,236	-
Net interest cost	**403**	**90**	339	124
Total included in salaries and employee benefits expense	**3,586**	**90**	2,575	124

Libro's net defined benefit plan expenses recognized in other comprehensive income were as follows:

	12 months ended December 31, 2015		15 months ended December 31, 2014	
[thousands of dollars]	**Pension Benefits**	**Sick Leave Benefits**	**Pension Benefits**	**Sick Leave Benefits**
Actuarial gain on assets	**900**	**-**	2,720	-
Actuarial gain (loss) on liabilities	**1,011**	**68**	(5,780)	(100)
Total gain (loss) recognized in other comprehensive income	**1,911**	**68**	(3,060)	(100)

The assumptions used in the measurement of the benefit obligations are shown in the following table:

	12 months ended December 31, 2015		15 months ended December 31, 2014	
[percentages]	**Pension Benefits**	**Sick Leave Benefits**	**Pension Benefits**	**Sick Leave Benefits**
Discount rate	**4.20%**	**4.00%**	4.00%	4.00%
Expected long-term rate of return on plan assets	**4.20%**		4.00%	
Rate of compensation increase	**3.50%**	**3.50%**	3.50%	3.50%

A one percentage point change in assumed discount rates and salary costs would have the following impact on the defined benefit plans:

Change in Benefit Obligations [thousands of dollars]	**Pension Benefits 2015**	**Sick Leave Benefits 2015**
1% increase in discount rate	**(7,575)**	**(197)**
1% decrease in discount rate	**9,355**	**216**
1% increase in rate of compensation increase	**2,881**	**209**
1% decrease in rate of compensation increase	**(2,689)**	**(191)**

[b] Defined contribution plans

The pension expense for the defined contribution plan in 2015 was $84,200 [$314,000 in 2014]. One member of Libro's Executive Leadership Team participates in the defined contribution pension plan. The employer contributions made on behalf of the executive team member during 2015 was $10,000 [$19,000 in 2014].

14) COMMITMENTS

[a] Lease obligations

Contractual obligations in respect of operating leases on credit union occupied premises as well as a vehicle amounted to $7,098,000 as at December 31, 2015 [$7,812,000 in 2014]. The lease contracts for premises include a renewal option for the credit union of 5 to 10 years. Common area fees are paid based on the share of the premises' operating costs and can fluctuate each year. The terms of the lease for the vehicle are three years. The lease contracts are payable as follows:

[thousands of dollars]	Minimum Rent
2016	1,143
2017	1,082
2018	1,008
2019	772
2020	597
Thereafter	2,496

[b] Loan commitments

As at December 31, 2015, Libro had commitments to advance loans totalling $131,065,000 [$103,170,000 in 2014]. The mix of loans committed is consistent with existing funded portfolio balances.

[c] Undrawn lines of credit

As at December 31, 2015, Libro had undrawn lines of credit outstanding on behalf of owners amounting to $369,812,000 [$477,876,000 in 2014].

[d] Letters of credit

As at December 31, 2015, Libro had letters of credit outstanding on behalf of owners amounting to $20,204,000 [$14,563,000 in 2014].

15) DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the carrying values of the derivative financial instruments held by Libro. These instruments have been designated as held for trading or designated under hedge accounting.

Derivatives consist of the following:

	December 31, 2015		December 31, 2014	
[thousands of dollars]	Assets	Liabilities	Assets	Liabilities
Interest rate swap agreements	**375**	**6,026**	178	1,722
Index-linked term deposit hedge agreements	**678**	**678**	966	966
	1,053	**6,704**	1,144	2,688

The credit union considers whether a credit valuation adjustment is required to recognize the risk that any given counterparty to which the credit union is exposed may not ultimately be able to fulfill its obligations. However, credit risk associated with contracts of this nature is generally a small fraction of the notional principal amount of the contract. Exposure to a loss would only occur if changes in market rates would cause a material unfavourable effect on the counterparty's position, which could then lead to the counterparty defaulting on its payment. The credit union only enters into derivative contracts with a counterparty it has determined to be creditworthy.

Interest rate swap agreements

Libro enters into interest rate swap agreements in order to hedge against exposure to interest rate fluctuations. As at December 31, 2015, Libro was party to eight such agreements [five in 2014] with Central 1. The agreements, in aggregate, represent a notional principal amount of $254,232,000 [$200,000,000 in 2014]. The notional principal amounts are used as the basis for determining payments under the contracts and are not actually exchanged between Libro and its counterparties.

Interest rate swap agreements are valued by netting the discounted variable and fixed cash flows. Variable cash flows are calculated using implied interest rates as determined by current Canadian Dealer Offered Rate ("CDOR") and swap interest rates, and term relationships. Fixed cash flows are calculated based on the rates stated in the agreements. These notional cash flows are discounted using the relevant points on the zero interest curve as derived from the month-end CDOR and swap rates.

A summary of Libro's swap agreements as at December 31 is given below:

December 31, 2015

Counterparty [thousands of dollars]	Notional Amount	Maturity Date	Paying Rate Index	Receiving Rate Index	Paying Rate	Receiving Rate	Fair Value
Central 1	50,000	January 2016	3-month CDOR	1 year swap rate - fixed	0.798%	1.710%	375
Central 1	100,000	January 2019	5-year swap rate - fixed	30-day CDOR	1.868%	0.880%	(3,414)
Central 1	50,000	August 2019	5-year swap rate - fixed	30-day CDOR	1.865%	0.869%	(1,809)
Central 1	50,000	April 2020	5-year swap rate - fixed	30-day CDOR	1.283%	0.869%	(582)
Central 1	1,342	May 2021	10-year swap rate - fixed	30-day CDOR	1.860%	0.841%	(47)
Central 1	1,117	June 2021	10-year swap rate - fixed	30-day CDOR	3.070%	0.838%	(106)
Central 1	1,344	July 2021	10-year swap rate - fixed	30-day CDOR	1.890%	0.869%	(49)
Central 1	429	October 2022	10-year swap rate - fixed	30-day CDOR	2.090%	0.847%	(19)
	254,232				1.547%	1.038%	(5,651)

December 31, 2014

Counterparty [thousands of dollars]	Notional Amount	Maturity Date	Paying Rate Index	Receiving Rate Index	Paying Rate	Receiving Rate	Fair Value
Central 1	50,000	January 2016	3-month CDOR	1 year swap rate - fixed	1.273%	1.710%	178
Central 1	100,000	January 2019	5-year swap rate - fixed	30-day CDOR	1.868%	1.300%	(1,213)
Central 1	50,000	August 2019	5-year swap rate - fixed	30-day CDOR	1.865%	1.294%	(509)
Central 1	1,147	June 2021	10-year swap rate - fixed	30-day CDOR	3.070%	1.294%	-
Central 1	453	October 2022	10-year swap rate - fixed	30-day CDOR	2.090%	1.294%	-
	201,600				1.727%	1.400%	(1,544)

Foreign exchange forward contracts

Libro uses foreign exchange forward contracts to manage liquidity, interest income, and to hedge the exchange risk in products denominated in US dollars. As at December 31, 2015, Libro was not party to any such agreements [none in 2014] with Central 1.

From time to time Libro enters into foreign exchange forward contracts with some of its owners. Owners enter into these contracts primarily to manage interest expense and hedge against US dollar exchange rates in their own operations. The notional value of these agreements in US dollars was $942,500 [$1,375,000 in 2014] at year end. Libro enters into offsetting agreements with Central 1 to hedge the exchange risk with its owners. The notional amount of these offsetting agreements in US dollars was $942,500 [$1,375,000 in 2014] at period end. These agreements represent a fair market value on a combined basis of nil [nil in 2014] at period end.

Index-linked term deposit hedge agreements
Libro has outstanding $13,815,000 [$10,802,000 in 2014] in index-linked term deposits to its owners. The index-linked term deposits are three- and five-year deposits that pay interest at the end of the term, based on performance of a variety of indices. The embedded derivative associated with these deposits is presented in liabilities and has a fair value of $678,000 [$966,000 in 2014].

Libro has entered into hedge agreements with Central 1 to offset the exposure to the indices associated with each product, whereby the credit union pays a fixed rate of interest for the term of each index-linked deposit on the face value of the deposits sold. At the end of the term, the credit union receives an amount equal to the amount that will be paid to depositors based on the performance of the indices. As at December 31, 2015, Libro had entered into such contracts in the amount of $13,815,000 [$10,802,000 in 2014]. The agreements are secured by a general security agreement covering all assets of the credit union. The embedded derivative associated with these agreements is presented in assets and has a fair value of $678,000 [$966,000 in 2014].

16) OWNERS' DEPOSITS

[thousands of dollars]	December 31, 2015	December 31, 2014
Demand deposits	**566,601**	508,772
Chequing deposits	**726,848**	616,256
Term deposits	**829,975**	813,446
Registered savings plans	**324,606**	319,718
Registered income funds	**162,679**	148,708
Registered tax free savings accounts	**210,707**	169,447
	2,821,416	2,576,347

Owners' deposits are either redeemable on demand or have a fixed date of maturity up to five years. Interest rates are set based upon the type, size and term to maturity of the deposit. All owners' deposits have been designated as financial liabilities.

The term to maturity and effective interest rates of Libro owners' deposit portfolio were as follows:

[thousands of dollars] December 31, 2015 Maturity	Demand	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 7 years	Total
Total deposits	**1,398,873**	**713,698**	**241,946**	**280,748**	**99,871**	**86,280**	**2,821,416**
Effective interest rate	**0.47%**	**1.94%**	**2.17%**	**2.40%**	**2.50%**	**2.34%**	**1.31%**

[thousands of dollars] December 31, 2014 Maturity	Demand	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 7 years	Total
Total deposits	1,210,696	605,747	435,227	148,985	99,707	75,985	2,576,347
Effective interest rate	0.67%	2.08%	2.37%	2.39%	2.51%	2.57%	1.51%

17) STATEMENT OF INCOME DISCLOSURES

[a] Interest income and expense

For the periods ended December 31, 2015 and 2014, the amount of income earned from each loan class and interest expense for each type of deposit was as follows:

[thousands of dollars]	12 months ended December 31, 2015	15 months ended December 31, 2014
Interest Income		
Residential mortgage loans	**29,866**	32,182
Personal loans	**12,266**	12,665
Agricultural loans	**29,267**	31,202
Commercial loans	**32,093**	38,650
	103,492	114,699
Interest Expense		
Demand deposits	**3,995**	5,679
Chequing deposits	**2,102**	2,401
Term deposits	**17,938**	20,222
Registered savings plans	**6,917**	8,503
Registered income funds	**3,528**	4,112
Registered tax free savings accounts	**3,716**	3,687
	38,196	44,604

[b] Non-interest income

Non-interest income consists of the following:

[thousands of dollars]	12 months ended December 31, 2015	15 months ended December 31, 2014
Service fees	**9,445**	10,704
Commissions	**5,852**	5,611
Foreign exchange	**1,390**	2,570
Unrealized gains (losses) on investments	**(3,806)**	(1,342)
Income from property	**320**	316
Portfolio under administration	**10**	104
Miscellaneous income	**55**	21
	13,266	17,984

18) FINANCIAL INSTRUMENTS

The following table represents the fair values of Libro's financial instruments. The fair values disclosed do not include the value of assets that are not considered financial instruments.

While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, some of Libro's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuations techniques and may not be indicative of the net realizable values.

Due to the judgment used in applying a wide range of acceptable valuation techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

	December 31, 2015			December 31, 2014		
[thousands of dollars]	**Book Value**	**Fair Value**	**Difference**	**Book Value**	**Fair Value**	**Difference**
Loans and Receivables						
Loans to owners	**2,710,839**	**2,726,555**	**(15,716)**	2,438,361	2,450,220	(11,859)
Investments	**281,476**	**282,123**	**(647)**	233,221	233,455	(234)
Available for Sale						
Investments	**20,826**	**20,826**	**-**	18,777	18,777	-
Fair Value through Profit or Loss						
Investments	**5,554**	**5,554**	**-**	4,937	4,937	-
Index-linked deposits	**678**	**678**	**-**	966	966	-
Derivative financial instruments	**375**	**375**	**-**	178	178	-
Total financial assets	**3,019,748**	**3,036,111**	**(16,363)**	2,696,440	2,708,533	(12,093)
Other Liabilities						
Owners deposits	**2,821,416**	**2,830,009**	**8,593**	2,576,347	2,579,169	2,822
Borrowings	**-**	**-**	**-**	5,150	5,150	-
Accrued and other liabilities	**6,623**	**6,623**	**-**	5,884	5,884	-
Securitization liabilities	**4,161**	**4,161**	**-**	4,931	4,931	-
Fair Value through Profit or Loss						
Index-linked deposits	**678**	**678**	**-**	966	966	-
Derivative financial instruments	**6,026**	**6,026**	**-**	1,722	1,722	-
Total financial liabilities	**2,838,904**	**2,847,497**	**8,593**	2,595,000	2,597,822	2,822

Estimated fair values are determined as follows:

(i) Fair values for items that are short term in nature approximate their book value. These include cash and cash equivalents, accrued interest receivable, other assets, accrued and other liabilities and accrued interest payable. Fair values for floating rate financial instruments are equal to book value as the interest rates automatically reprice to market.

(ii) Investments are valued using quoted market prices where available. Cost is used where no ready market values are available.

(iii) Fixed-rate loans are valued by discounting the contractual future cash flows at current market rates for loans with similar credit risks.

(iv) Fixed-rate deposits are valued by discounting the contractual future cash flows using market rates currently being offered for deposits with similar terms.

Fair values are determined based on a three-level fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels of the hierarchy are as follows:

(i) Level 1 - Unadjusted quoted prices in active markets for identical financial assets and financial liabilities;

(ii) Level 2 - Inputs other than quoted prices that are observable for the financial asset or financial liability either directly or indirectly; and

(iii) Level 3 - Inputs that are not based on observable market data.

The following table illustrates the classification of the credit union's financial instruments within the fair value hierarchy:

[thousands of dollars]	December 31, 2015 Level 1	Level 2	Level 3	Total
Recorded at Fair Value				
Assets				
Investments	-	-	5,554	5,554
Index-linked deposits	-	678	-	678
Derivative financial instruments	-	375	-	375
Total assets held at fair value	-	1,053	5,554	6,607
Liabilities				
Index-linked deposits	-	678	-	678
Derivative financial instruments	-	6,026	-	6,026
Total liabilities held at fair value	-	6,704	-	6,704
Fair Value Disclosed				
Assets				
Loans to owners	-	-	2,726,555	2,726,555
Investments	-	282,123	-	282,123
Total assets disclosed at fair value	-	282,123	2,726,555	3,008,678
Liabilities				
Owners deposits	-	-	2,830,009	2,830,009
Securitization liabilities	-	4,161	-	4,161
Total liabilities disclosed at fair value	-	4,161	2,830,009	2,834,170

[thousands of dollars]	December 31, 2014 Level 1	Level 2	Level 3	Total
Recorded at Fair Value				
Assets				
Investments	-	-	4,937	4,937
Index-linked deposits	-	966	-	966
Derivative financial instruments	-	178	-	178
Total assets held at fair value	-	1,144	4,937	6,081
Liabilities				
Index-linked deposits	-	966	-	966
Derivative financial instruments	-	1,722	-	1,722
Total liabilities held at fair value	-	2,688	-	2,688
Fair Value Disclosed				
Assets				
Loans to owners	-	-	2,450,220	2,450,220
Investments	-	233,455	-	233,455
Total assets disclosed at fair value	-	233,455	2,450,220	2,683,675
Liabilities				
Owners deposits	-	-	2,579,169	2,579,169
Securitization liabilities	-	-	4,931	4,931
Total liabilities disclosed at fair value	-	-	2,584,100	2,584,100

Level 1 includes various Bank bonds valued at market rates. Level 2 includes various interest rate swaps and foreign exchange forward contracts, which are valued using observable market rates. Level 3 includes the credit union's investment in CUCO Co-Op (formerly ABCP LP), and various interest spread receivables that were acquired as part of loan sales and securitizations. The valuation of the CUCO Co-Op uses a combination of quoted market prices, the instrument yields, and the underlying risk associated with the instruments. Interest spread receivables are valued using the expected future cash flows associated with the loan sale or securitization.

The following table summarizes the changes in fair value of Level 3 assets for the periods ended December 31:

	December 31, 2015	December 31, 2014
[thousands of dollars]	**Investments**	**Investments**
Balance, beginning of period	**4,937**	5,962
Additions	**300**	2,624
Increase in carrying value included in net income	**317**	555
Settlements	**-**	(4,204)
Balance, end of period	**5,554**	4,937

The increase in carrying value and settlements on Level 3 instruments is presented as Investment income and is related to the investment in CUCO Co-Op (see note 4). There were no transfers in or out of Level 3 during the periods ended December 31, 2015 and 2014.

19) PROSPERITY FUND

The Prosperity Fund is Libro's annual granting program focused on building prosperity through the strategic focus areas of Economic Development, Money Smarts, and Youth Leadership & Development. Libro invests a minimum of 5% of the current year's earnings, before distribution and income taxes, back into this granting program. For the 12 months ended December 31, 2015, this amounted to $235,000 [$483,000 for the 15 months ended December 31, 2014].

During the period, a total of $89,000 [$67,000 in 2014] in direct community investments were made and included in marketing and business development expenses. In addition, Libro donated $219,000 [$242,000 in 2014] to local registered charities and community groups during the period.

20) INCOME TAXES

Significant components of the deferred tax assets of Libro as at December 31, 2015 are as follows:

[thousands of dollars]	January 1, 2015	Consolidated Statement of Income	Other Comprehensive Income	Business Combinations and Other	December 31, 2015
Non-capital losses available for carry forward	-	-	-	1,502	1,502
Allowance for credit losses	342	24	-	-	366
Employee future benefits	1,974	307	(386)	-	1,895
Other accrued expenses	183	(52)	-	-	131
Property and equipment	(103)	4	-	-	(99)
Fair value adjustments on acquisition	(1,874)	724	-	(989)	(2,139)
Deferred revenue	126	17	-	-	143
Share issuance costs	-	-	-	31	31
Financial instruments adjustments	(257)	(31)	-	-	(288)
Cash flow hedges	(19)	-	48	-	29
	372	993	(338)	544	1,571

As at December 31, 2015, Hald-Nor Credit Union has $7,703,000 of non-capital losses carried forward expiring in 2035 that should be available to Libro the year following the year of wind-up. A deferred tax benefit has been recorded in respect of these losses.

The reconciliation of income tax computed at the statutory rates to income tax expense is as follows:

	12 months ended December 31, 2015		15 months ended December 31, 2014	
[thousands of dollars]	Amount	%	Amount	%
Expected tax provision based on combined federal and provincial rate	390	39%	1,087	40%
Credit union deduction	(136)	(14%)	(473)	(17%)
General rate deduction	(77)	(8%)	(143)	(5%)
Permanent difference	127	13%	94	3%
Effect of tax rate change	-	-	(86)	(3%)
Amortization of fair value adjustments	-	-	716	26%
Other	44	4%	91	3%
	348	35%	1,286	47%

Tax amounts related to current year other comprehensive income are as follows:

	December 31, 2015		
[thousands of dollars]	Gross	Tax	Net of Tax
Actuarial gain (loss) in employee defined benefit plans	1,979	(386)	1,593
Financial instruments designated as cash flow hedges	(160)	48	(112)
Other comprehensive income (loss)	1,819	(338)	1,481

21) TRANSFERS OF LOANS RECEIVABLE

Libro periodically may sell mortgage loans to other financial institutions as described in note 3[p]. As at December 31, 2015, the aggregate outstanding value of loans transferred amounted to $571,000 [$2,605,000 in 2014]. The net gain or loss on the sale of mortgages resulting from these transfers is immediately recognized in the Statements of Income as Non-interest income. None of the mortgage loans were delinquent as at December 31, 2015. In addition, there were no credit losses incurred on the mortgages transferred in 2015 or 2014.

The following table summarizes transfers of loans receivable activity for the periods ended December 31:

[thousands of dollars]	December 31, 2015	December 31, 2014
Cash flows remitted on collections	**(2,173)**	(1,013)
Servicing fees received	**10**	21

The terms of the credit union's lending policies require Libro to maintain a portfolio limit on commercial and agricultural loans not to exceed 55% of total deposits and regulatory capital. This limit is calculated on a rolling 90-day basis and any excess must be corrected within 90 days. The credit union was within this limit throughout all of 2015 and 2014.

22) SECURITIZATION OF LOANS

Libro periodically may securitize mortgages through the transfer of mortgage loans to a special purpose entity as described in note 3[p].

As at December 31, 2015, the aggregate value of securitized loans outstanding amounted to $4,148,000 [$4,915,000 in 2014]. There were no mortgage loans that were delinquent as at December 31, 2015. In addition, there were no credit losses incurred on the mortgages transferred in 2015 or 2014. Since these mortgages are sold on a serviced basis, Libro has a servicing liability of $7,000 [$8,000 in 2014] included on its Balance Sheets.

[a] Cash flows related to the securitizations:

[thousands of dollars]	December 31, 2015	December 31, 2014
Cash flows remitted on collections	**(870)**	(16,210)
Cash flows received on retained interests	**65**	345

[b] Impact of securitization on income:

[thousands of dollars]	December 31, 2015	December 31, 2014
Amortization of servicing liability	**(1)**	(23)

23) RISK MANAGEMENT

[a] Liquidity risk
Liquidity risk is defined as the risk that the credit union will be unable to pay obligations when they fall due, or become unable to repay depositors when funds are withdrawn, or become unable to meet commitments to lend money. Libro manages liquidity risk within Board Policy limits to ensure the credit union has sufficient liquidity to meet its obligations. This is managed by monitoring cash flows and cash forecasts, maintaining a portfolio of high quality liquid financial assets (see note 4), monitoring and managing the remaining contractual term to maturity of its loan and deposit portfolios (see notes 5 and 16), and maintaining access to credit facilities through Central 1 (see note 10). Libro achieves this through a combination of active management of organic balance sheet growth, borrowing, whole loan sales, and loan securitization. Since the credit union does not issue redeemable long-term deposit products, liquidity risk will not increase as a result of unexpected prepayments or changing deposit maturity forecasts.

[b] Credit risk
Credit risk is defined as the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms and arises from the credit union's direct lending, trading, investment and hedging activities. Granting loans to owners is one of the credit union's primary sources of income and Libro grants credit through consideration of an owner's credit history, character, collateral, and capacity for debt. Owners' financial situations are monitored through the life of the loan and all current receivables are expected to be collected. Debt that appears to be in arrears is impaired to the extent that a loss is expected.

Libro uses internal risk scoring measures to assess the credit quality of commercial and agricultural borrowers. These measures are derived from the underlying credit experience, collateral, management expertise, and other objective financial measures. Credit quality of retail borrowers is measured in part by a standardized credit rating system, which considers payment history, current debt, age of accounts, type of credit and credit enquiries. The application of these scoring measures as at December 31 is as follows:

	December 31, 2015				
[thousands of dollars]	**Residential Mortgage Loans**	**Personal Loans**	**Agricultural Loans**	**Commercial Loans**	**Total**
Above standard	**850,950**	**211,276**	**339,820**	**182,485**	**1,584,531**
Standard	**117,029**	**31,009**	**344,015**	**466,098**	**958,151**
Below standard	**70,144**	**14,712**	**20,009**	**63,292**	**168,157**
	1,038,123	**256,997**	**703,844**	**711,875**	**2,710,839**

	December 31, 2014				
[thousands of dollars]	**Residential Mortgage Loans**	**Personal Loans**	**Agricultural Loans**	**Commercial Loans**	**Total**
Above standard	506,172	122,751	332,554	183,737	1,145,214
Standard	326,771	103,613	298,850	438,998	1,168,232
Below standard	48,738	12,803	16,040	47,334	124,915
	881,681	239,167	647,444	670,069	2,438,361

To manage credit risk, Libro secures collateral against all types of loans. In the event that an owner is unwilling or unable to meet their obligations as a borrower, security is liquidated to repay the obligation to Libro. Collateral is taken on each loan funded with regard to the owner's overall creditworthiness including credit history, character, capacity for debt, and type of loan granted. Collateral is generally secured for each type of loan as follows:

Loan Type	Nature of Collateral Obtained
Mortgages	Mortgage loans are secured by real property. Libro owners generally have equity in the property being mortgaged.
Term loans	Term loans are generally secured by assets which are equivalent to the approved balance. Term loans can be unsecured. Risks of unsecured term loans are reflected in the rate of the loan.
Installment loans	Installment loans are generally secured by assets which are equivalent to the approved balance of the loan. Installment loans can be unsecured. Risks of unsecured installment loans are reflected in the rate of the loan.
Line of credit	Line of credit loans are generally secured by assets which are equivalent to the approved balance of the facility. Lines of credit can be unsecured. Risks of unsecured lines of credit are reflected in the rate of the facility.

[c] Market risk

Market risk is defined as the risk that the credit union's ability to meet business objectives will be adversely affected by volatility in market rates. Libro manages market risk using an earnings at risk approach. The primary objective of this approach is to maximize earnings on a consistent basis while minimizing reductions to net income resulting from changes in future interest rates.

Libro uses income simulation modeling to measure exposure to changes in interest rates over short-term periods. Earnings at risk is calculated by forecasting the net interest margin for the next 12-month period using most likely assumptions. Most likely assumptions include management's best estimates for planned growth rates and the use of future interest rates. Planned growth rates are recorded at the start of the fiscal period as initially set out in the budget and modified to actual experience through the fiscal period. Future interest rates on new business and product renewals are determined using the future interest rates derived mathematically based on the term structure of interest rates. The impact of rate shock scenarios are measured against the most likely forecast ("MLF") as defined above. The resulting change in the forecast as a result of interest rate shocks is then compared to the MLF to determine the earnings at risk amount. Maximum change limits under these interest rate scenarios have been set out by the Board of Directors. These scenarios are based on hypothetical simulations assuming the markets are shocked with 100 or 200 basis point volatility. At the current time, Libro is in compliance with all limits set by the Board of Directors' Policy.

The policy limits and most likely projections are as follows:

Asset Liability Management Limits	Maximum Change Limit	Projected Change to Earnings	Status
Most Likely Shocked + 200 basis points	**10%**	**2.45%**	**Compliant**
Most Likely Shocked + 100 basis points	**5%**	**1.23%**	**Compliant**
Most Likely Forecast Scenario	**0%**	**0.00%**	**Compliant**
Most Likely Shocked - 100 basis points	**-5%**	**-2.83%**	**Compliant**
Most Likely Shocked - 200 basis points	**-10%**	**-4.47%**	**Compliant**

[d] Currency risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign currency rates. Libro's net income is exposed to currency risk from US dollar investments and owner US dollar deposits.

Libro mitigates currency risk of US dollar financial assets and liabilities by investing in offsetting US dollar financial instruments with similar terms. Currency risk is managed in accordance with the Board of Directors' Policy which the Board reviews annually.

For a 1% instantaneous increase or decrease in exchange rate, Libro's net income would change by $1,200 [$4,600 in 2014].

24) ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities consist of the following:

[thousands of dollars]	December 31, 2015	December 31, 2014
Owner remittances to third parties	**1,507**	1,872
Salaries payable to employees	**4,330**	3,487
Accounts payable	**551**	42
Prosperity Fund payable	**235**	483
	6,623	5,884

25) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method of accounting. For each business combination, an acquirer is identified, which is typically the larger of the combining organizations. The identifiable assets and liabilities of the acquired entity are measured at fair value. The transaction costs incurred for a business combination, such as legal fees, due diligence fees and other professional consulting fees are expensed as incurred.

Business combination with Hald-Nor Credit Union

The credit union entered into a business combination with Hald-Nor Credit Union ("Hald-Nor") in 2015. On August 1, 2015, Libro acquired the assets and assumed the liabilities of Hald-Nor and the results of its operations have been included in the financial statements since that date. Hald-Nor had four branch locations and an administration office situated in the Haldimand-Norfolk county, which continue to operate as Libro locations today.

The combination resulted in additional assets, resources, and increased Ownership for Libro. Greater brand awareness and increased economies of scale are expected. The credit union expanded its footprint to new areas as a result of the combination, which allows Libro owners access to more branches and helps further grow prosperity in southwestern Ontario.

Libro acquired 100% of the net assets of Hald-Nor in a share for share exchange. No cash or contingent consideration was provided. The value of the shares issued was determined by valuing the business acquired using the net asset value approach.

The acquisition date fair value of the acquiree's net identifiable assets and liabilities at August 1, 2015 are outlined below:

[thousands of dollars]	Book Value	Adjustment	Fair Value
Cash and cash equivalents	3,743	-	3,743
Investments	9,913	58	9,971
Other assets	592	-	592
Loans to owners	129,797	1,408	131,205
Derivative financial instruments	355	-	355
Property and equipment	1,911	136	2,047
Intangible assets	30	2,318	2,348
Deferred tax asset	77	439	516
Current income tax payable	-	(1,343)	(1,343)
Owners' deposits	(132,205)	(255)	(132,460)
Accounts payable and accrued liabilities	(1,040)	-	(1,040)
Borrowings	(5,595)	-	(5,595)
Derivative financial instruments	(355)	-	(355)
Owners' capital accounts	(271)	-	(271)
Net assets	6,952	2,761	9,713
Contributed surplus			9,713

Loans to owners include $130,280,826 of contractual amounts receivable.

The carrying values of cash, short-term financial investments, derivative assets and liabilities, and other assets and liabilities approximate their fair values due to their short term nature.

For variable rate interest loans and deposits that re-price frequently, carrying values are assumed to approximate fair values.

Fair value of other loans and deposits are estimated using discounted cash flow techniques based on the contractual repayment of the products. In addition, the fair value of loans is net of both an individual provision for impairment and collective allowance.

The fair value of property and equipment has been assessed using a combination of acquisition date net book value [considered in certain instances to approximate fair value], and appraisals based on market information.

A core deposit intangible was calculated using a discounted cashflow technique, whereby the present value of the after tax reduction in interest expense derived from demand deposit accounts is compared to Libro's weighted-average cost of financing.

No goodwill was recorded as a result of these acquisitions, as the fair value of consideration transferred approximated the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date.

Impact of acquisition on the Statement of Income
Income and expenses derived from the acquisition of Hald-Nor has been included in the Statement of Income from August 1, 2015 onward. It is not practical to disclose the amount of profit or loss attributable to the legacy credit unions since this is not identifiable in Libro's accounts.

Incremental acquisition-related legal and accounting costs of the above-noted business combination amounted to $224,000 as at December 31, 2015, and have been recognized as an expense in the Statements of Income.

Business combinations with United Communities Credit Union and Kellogg Employees Credit Union

The credit union entered into two business combinations in 2014:

[a] **United Communities Credit Union**
On January 1, 2014, Libro amalgamated with United Communities Credit Union ("United Communities") and the results of its operations have been included in the financial statements since that date. United Communities had 11 branch office locations and two administration offices situated in the southwestern Ontario counties of Essex, Huron, and Perth, which continue to operate as Libro locations today.

[b] **Kellogg Employees Credit Union**
On April 1, 2014, Libro acquired the assets and assumed the liabilities of Kellogg Employees Credit Union ("Kellogg") and the results of its operations have been included in the financial statements since that date. Kellogg operated a single branch located in the Kellogg plant in London. Following the closing date of the combination, all staff and members' business was transferred to existing Libro locations, and the office in the plant was subsequently closed.

Libro acquired 100% of the net assets of United Communities and Kellogg in a share for share exchange. No cash or contingent consideration was provided. The value of the shares issued was determined by valuing the business acquired using the net asset value approach.

The acquisition date fair value of the acquiree's net identifiable assets and liabilities are outlined below:

	United Communities - January 1, 2014			**Kellogg - April 1, 2014**		
[thousands of dollars]	**Book Value**	**Adjustment**	**Fair Value**	**Book Value**	**Adjustment**	**Fair Value**
Cash and cash equivalents	24,244	-	24,244	1,697	-	1,697
Income taxes receivable	103	-	103	-	-	-
Investments	52,973	50	53,023	206	-	206
Loans to owners	658,338	4,481	662,819	14,305	2	14,307
Derivative financial instruments	661	-	661	172	-	172
Property and equipment	13,568	(676)	12,892	24	(23)	1
Intangible assets	18	-	18	-	-	-
Core deposit intangible	-	12,375	12,375	-	287	287
Other assets	2,461	-	2,461	211	-	211
Deferred tax assets	92	-	92	-	-	-
Owners' deposits	(662,319)	(2,005)	(664,324)	(15,256)	9	(15,247)
Payables and other liabilities	(42,823)	-	(42,823)	(330)	-	(330)
Derivative financial instruments	(587)	-	(587)	(172)	-	(172)
Owners' capital accounts	(8,936)	-	(8,936)	(46)	-	(46)
Net assets	37,793	14,225	52,018	811	275	1,086
Contributed surplus			52,018			1,086

Loans to owners include $660,348,340 and $15,055,200 of contractual amounts receivable from United Communities and Kellogg, respectively.

The carrying values of cash, short term financial investments, derivative assets and liabilities, and other assets and liabilities approximate their fair value due to their short term nature.

For variable rate interest loans and deposits that re-price frequently, carrying value are assumed to approximate fair values.

Fair value of other loans and deposits are estimated using discounted cash flow techniques based on the contractual repayment of the products. In addition, the fair value of loans is net of both an individual provision for impairment and collective allowance.

The fair value of property and equipment has been assessed using a combination of acquisition date net book value [considered in certain instances to approximate fair value], and appraisals based on market information.

A core deposit intangible was calculated using a discounted cashflow technique, whereby the present value of the after tax reduction in interest expense derived from demand deposit accounts is compared to Libro's weighted-average cost of financing.

No goodwill was recorded as a result of these acquisitions, as the fair value of consideration transferred approximated the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date.

Impact of Acquisitions on the Statement of Income
Income and expenses derived from the acquisitions of United Communities and Kellogg have been included in the Statement of Income from January 1, 2014 and April 1, 2014 onward respectively. It is not practical to disclose the amount of profit or loss attributable to the legacy credit unions since this is not identifiable in Libro's accounts.

Incremental acquisition-related legal and accounting costs of the above noted business combinations amounted to $336,000 as at December 31, 2014, and have been recognized as an expense in the Statement of Income.